

HOUSE BILL REPORT

HB 1040

As Passed House:
February 7, 2011

Title: An act relating to the use of electronic signatures and notices.

Brief Description: Regarding the use of electronic signatures and notices.

Sponsors: Representatives Pedersen, Armstrong, Kirby, Warnick, Kelley and Hunt; by request of Secretary of State.

Brief History:

Committee Activity:

Judiciary: 1/10/11, 1/13/11 [DP].

Floor Activity:

Passed House: 2/7/11, 92-0.

Brief Summary of Bill

- Allows the Secretary of State to send renewal notices to certain business entities by electronic mail, rather than postal mail, if the business entity elects that option.
- Makes it discretionary, rather than mandatory under the Electronic Authentication Act, for governmental entities to subscribe to the services of a licensed certification authority for use of digital signatures.

HOUSE COMMITTEE ON JUDICIARY

Majority Report: Do pass. Signed by 12 members: Representatives Pedersen, Chair; Goodman, Vice Chair; Rodne, Ranking Minority Member; Shea, Assistant Ranking Minority Member; Chandler, Frockt, Kirby, Klippert, Nealey, Orwall, Rivers and Roberts.

Staff: Trudes Tango (786-7384).

Background:

Notices to Business Entities.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Corporations Division of the Office of the Secretary of State (OSOS) is responsible for administering a variety of programs, including the licensing and registration of domestic corporations, foreign corporations doing business in the state, corporations sole, charitable organizations, and commercial fundraisers. Business entities licensed with the OSOS must file certain documents, such as their annual reports, with the OSOS. The OSOS must send notices to these business entities to renew their registrations and file their reports. These notices must be sent by postal mail.

Digital Signatures.

The OSOS also administers the Electronic Authentication Act (EAA), which governs the use of digital signature technology in electronic transactions and creates a process for the OSOS to license entities that verify the authenticity of digital signatures. These entities are called "certification authorities."

Digital signature technology is an encryption system used to protect the confidentiality of an electronic document and authenticate its source. Digital signature technology allows a person receiving an electronic document, such as a contract, to know that the signature on the document is authentic and that the document has not been altered by anyone else since it was signed.

The technology operates on the basis of two digital keys, or codes, created by the person wanting to send encrypted messages. One key is the private key, which is known only to the signer of the electronic message, and the other is the signer's public key, which is given to the recipient of the electronic message. A message encrypted by the private key is digitally signed by the sender and the message then can be read only by the person using the corresponding public key.

To ensure these keys really do belong to the people to whom they appear to belong, each public key is provided with a computer-based certificate of authenticity. These certificates are created by the certification authorities, which verify that the public keys they certify belong to the people possessing the corresponding private keys.

Under the EAA, a unit of state or local government is required to become a subscriber to a certificate issued by a licensed certification authority, if the governmental entity's signature is required for the purposes of conducting official public business with electronic records.

Summary of Bill:

Notices to Business Entities.

The OSOS may send notices of registration renewals and notices to file annual or biennial reports to certain business entities using either postal or electronic mail, as elected by the business entity. Those business entities are charitable organizations and commercial fundraisers registered with the OSOS, domestic corporations, foreign corporations doing business in the state, and corporations sole.

Digital Signatures.

Governmental entities may, but are no longer required to, be subscribers to a certificate issued by a licensed certification authority.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill encourages efficiency in government. It allows agencies to find other ways to conduct business electronically. The bill has approval from the Office of the Attorney General and the Washington Technology Industry Association. Allowing electronic renewal notices will save the OSOS approximately \$18,000 per year and will eventually create more savings as more businesses sign on to receive notices electronically. It will make it easier for entities to renew registrations quickly.

(Opposed) None.

Persons Testifying: Representative Pedersen, prime sponsor; and Pam Floyd, Division of Corporations and Charities, Office of the Secretary of State.

Persons Signed In To Testify But Not Testifying: None.